



**Governing Council
of the
United Nations
Development Programme**

Distr.
GENERAL

DP/CP/DJI/3
18 December 1992
ENGLISH
ORIGINAL: FRENCH

Special session
16-19 February 1993, New York
Item 5 (a) of the provisional agenda

**PROGRAMME PLANNING: COUNTRY AND INTERCOUNTRY PROGRAMMES
AND PROJECTS**

THIRD COUNTRY PROGRAMME FOR DJIBOUTI

<u>Programme period</u>	<u>Resources</u>	<u>\$</u>
1993-1996	IPF	2 684 000

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES	1 - 9	2
A. Current socio-economic situation	1 - 6	2
B. National development objectives and strategies ...	7 - 9	3
II. EXTERNAL COOPERATION	10 - 13	4
A. Role of external cooperation	10	4
B. Aid coordination arrangements	11 - 13	4
III. THE COUNTRY PROGRAMME	14 - 51	5
A. Assessment of ongoing country programme	14 - 17	5
B. Proposals for UNDP cooperation	18 - 48	5
C. Assistance outside main country programme areas ..	49	10
D. Implementation and management arrangements	50	11
E. Mobilization of complementary funds	51	11

Annexes

I. Financial summary	12
II. Programme matrix	14

I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. At the outset of this decade and on the eve of the third country programme, Djibouti is entering into a new phase of its economic and social development, as defined in the second Framework Law covering the period 1990-2000.

2. Since the first round-table conference of donors in 1983, Djibouti has put its economic infrastructure on a sounder physical footing and has undertaken a large-scale social welfare programme for its urban and rural populations. The extensive external aid contributed to these development efforts has, together with prudent management of the economy, allowed Djibouti to keep the macroeconomic imbalances within bearable limits. With an area of 23,000 km², a population of 516,000 inhabitants (in 1990) and a per capita gross domestic product (GDP) of \$480 (at 1986 prices), Djibouti is still a country of limited resources and means, and has many problems to tackle.

3. Djibouti's land is extremely arid and its climate very harsh. There are no more than 6,000 hectares of arable land (barely 0.25 per cent of the territory), and the scarcity of water resources seriously retards agricultural development. As for the industrial sector, it is almost non-existent, owing to a lack of mineral resources, a very limited national market, the absence of skilled labour, and extremely high energy costs. All capital goods and construction materials are imported.

4. The weakness of the primary and secondary sectors explains why development has focused on exchange, service and transit activities. These activities in themselves represent more than three quarters of the national revenue, but they are responsive to external economic developments, especially those directly related to conflicts in neighbouring countries.

5. In the matter of human development, Djibouti is ranked, according to the Human Development Report 1991, one hundred and fifty-third among the 160 countries reviewed. According to that report, the primary-school enrolment rate is only 9.4 per cent, and the adult literacy rate is no more than 14 per cent. Public expenditure for health represents only 4.12 per cent of the GNP, while the life expectancy for men is one of the lowest in the world (48 years).

6. Like the other least developed countries, Djibouti is aware of the major shortcomings it must still address during the coming decade. These can be summed up thus:

(a) The population will continue to increase at a high rate so long as the conflicts in the turbulence-torn countries of the Horn of Africa are not resolved, and this will make added demands on the country's prime resource, water, and on the inadequate public infrastructures;

/...

(b) At the social level, despite efforts to expand the educational system's capacity to absorb pupils, much remains to be done to reach appropriate levels: three quarters of the children who take the sixth-grade entrance examination are eliminated for lack of space, two thirds of those admitted are eliminated two years later and two thirds of the remainder are eliminated before the tenth grade;

(c) The unemployment rate in 1990 was estimated at above 43 per cent of the labour force, and this figure does not take into account the massive underemployment typical in the informal sector, especially among young people.

B. National development objectives and strategies

7. The national development objectives and strategy are clearly set out in the Economic and Social Framework Law for 1990-2000 and in the master plan for economic and social development activities and projects for 1991-1995, adopted respectively in February 1991 and December 1991.

8. The strategy. Because of its position between Africa and the Arab Middle East, Djibouti has chosen a development strategy centred on the following focal points: (a) an intensive upgrading of national human resources by rethinking the educational system and organizing vocational education in such a way as to make it not only a means of retrieving those eliminated from the educational system, but also an effective way-station to the job market in the advanced tertiary sector; (b) the promotion of the role of the productive private sector as a commercial and financial market-place at the regional level (especially in terms of merchandising services likely to strengthen the position of the national economy); (c) the improvement of the macroeconomic balances by encouraging more rational budgetary choices; (d) the protection of the environment, which in Djibouti is threatened by the salinity of the few existing water tables and the prolonged droughts, as well as by the marine pollution which endangers the aquatic stocks that constitute the only renewable natural resource of the country.

9. The objectives. (a) In the short term, Djibouti plans to liberalize its economy by completely disengaging the State from trade and reforming the institutional structure so as to promote the private sector. (b) Its permanent objectives are to maintain a general water policy that is consistent and effective in supplying, as a matter of priority, both the population and the agricultural and pastoral areas. The objectives also include extending secondary-school education to greater numbers and introducing a greater emphasis on vocational activities in the educational system. The technical quality of the national health system will be maintained, and a greater effort will be made to replace the many foreign cooperation assistants currently active in the health sector with national professionals. The introduction of cost-sharing by families in the operation of educational institutions and a graded system of payments by beneficiaries towards the operating costs of hospital centres should make a diversified selection of social services more readily available to the people.

/...

II. EXTERNAL COOPERATION

A. Role of external cooperation

10. External cooperation plays a preponderant role in the economy of Djibouti. The total value of external cooperation, both technical and in the form of capital, is calculated to be about \$100 million annually, or almost half of Djibouti's GNP. Eighty per cent of this amount is in the form of donations, while 20 per cent is in the form of loans granted at favourable rates. Furthermore, about half of this external cooperation comes as technical assistance, approximately one third goes to investment projects, and the remainder is used for budgetary support and food aid. Bilateral assistance constitutes 75 per cent of the external cooperation, and France is the major donor (contributing 50 per cent of all aid and channelling 80 per cent of that to technical assistance), followed by Italy, Japan, the United States of America, Kuwait and Saudi Arabia. Multilateral assistance, which represents the remaining 25 per cent, is provided in descending order by the African Development Bank (AfDB), the European Economic Community, the World Bank and UNDP.

B. Aid coordination arrangements

11. Organizationally, the Ministry of Foreign Affairs and Cooperation is the coordinating agency for external cooperation. Its coordination efforts are not yet supported by sufficiently reliable statistical tools and macroeconomic memory banks furnished by other government departments.

12. The Planning Department, which comes under the Office of the Prime Minister and has been receiving extensive assistance from UNDP for a number of years, has produced the first Economic and Social Plan (1991-1995) only very recently. It is expected to draw up a detailed five-year investment programme during the coming year. These documents, together with the macroeconomic statistics, are the minimum tools needed for aid coordination. In the meantime, in order to make a start on better coordination, the Government set up in 1989 an Interministerial Planning Commission, which coordinates external cooperation relating to investment projects in all sectors.

13. UNDP is supporting the Government in this aid coordination work by giving extensive assistance to the Planning Department, which has recently attracted supplementary funds from AfDB to be used, inter alia, to bolster the national accounting and statistics apparatus by the publication of an annual report on development cooperation in Djibouti. The Government has also asked UNDP to help it organize and follow up on round-table conferences, the first of which was held in Djibouti in 1983 and the second of which is scheduled for 1993.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing country programme

14. The following assessment is derived from the mid-term review of the second country programme conducted in February 1991 and from in-depth evaluation missions, particularly those conducted in the areas of import management and the water sector.

15. Thirty-eight per cent of the resources for the second country programme were devoted to natural resources. Various projects in the water sector, especially concerning drinking water supply, produced the most significant results. In the field of energy, the results of UNDP activities in geothermal energy are modest; nevertheless, they have led to major investments by the World Bank, Italy and the African Development Bank. Concerning improvements in development management, noteworthy results were achieved in planning, private sector development, external debt management, urban public-housing policy, and population structure.

16. With regard to the mobilization of human resources, 80 executives and officials in public and parastatal administration received training in various sectors. In an attempt to improve living conditions for the most disadvantaged population groups, and thanks to efforts in the water sector, the conversion of a large number of nomads into sedentary farmers was achieved in some regions. A major self-help construction programme aimed at low-income city dwellers is under way. Eight maternal and child health centres have been built in various parts of the country.

17. As the procedures for execution, the second country programme confirmed the viability of using the United Nations Volunteers programme for the implementation of projects or certain project components. National execution of projects encountered difficulties in administrative follow-up and application of procedures because of a shortage of qualified national human resources. The lack of a programme approach, resulting in too many projects spread over the various economic and social sectors without real convergence, was a factor limiting their impact.

B. Proposals for UNDP cooperation

1. Preparatory process

18. Preparation of the third country programme for Djibouti began in 1989 following the mid-term review, and continued in 1990 and 1991 through an ongoing dialogue between the Government and UNDP on the options and priorities for the country's economic development. This dialogue took place on two levels: first, in the context of continuous programming, with several sectoral initiatives involving feasibility studies, and with an independent evaluation in 1991 of the second country programme; second, through the

/...

preparation of the Economic and Social Framework Law for 1990-2000 and the 1991-1995 Plan, in which UNDP was closely involved under the project to strengthen the Planning Department during the second country programme.

19. Sectoral studies in the fields of environment and education were launched in 1990-1991. The goal of the environment study was to identify priority activities to be undertaken, and to begin the preparation of the country report for the United Nations Conference on Environment and Development. The purpose of the education study was to compare the Jomtien Declaration with government policy in that sector.

20. Finally, the preparation in May 1991 of the UNDP guidelines for the third country programme and their circulation, first to the Government and later to its multilateral and bilateral partners, again allowed certain ideas to be clarified and UNDP cooperation to be situated in relation to that of other donors.

2. Strategy for UNDP cooperation

21. The Government's strategy for the use of UNDP resources in the context of the third country programme rests on four comparative advantages proven during the implementation of the preceding programmes. The first advantage, of particular importance in a country where bilateral aid is omnipresent, is the neutrality of UNDP cooperation, which allows the Government to call on its services when designing sectoral development strategies or policies. The second is the access to other sources of aid that UNDP cooperation provides, through the Programme's role as an intermediary, as a focal point and as an initiator of dialogue between the Government and other bilateral and multilateral partners. The third comparative advantage is the flexibility of UNDP, which, through its role in pre-investment, can participate in innovative and risky pilot projects whose cost-effectiveness is not necessarily evident at first glance. The fourth is the UNDP cooperation formula, offering an integrated approach to technical assistance with the possibility of transfer of knowledge at various stages and in various ways within the same project.

22. The Government would like to see UNDP play a larger role in coordination, and has entrusted to it the preparation of the round-table conference, to be held during 1993. The Government also is relying on UNDP to solve the problems of humanitarian assistance related to the situation in the Horn of Africa, where the internal conflicts are having major repercussions on Djibouti in the form of massive refugee flows.

3. Proposed UNDP cooperation in selected areas of concentration

23. UNDP cooperation during the third country programme is planned in three areas of concentration: (i) management of the economy and promotion of the private sector; (ii) development of human resources and the social sectors; (iii) environmental protection and community action.

/...

24. Management of the economy and promotion of the private sector. The national objectives in this area are: development and promotion of Djibouti as a major centre for commercial shipping and international finance; industrialization and promotion of the private sector; reform of public finance through reductions in State expenditure, privatization and a better command of the tools of macroeconomic management.
25. In order to respond to the Government's wish to give the nation the capability to control the complex process of economic management, for several years UNDP has been assisting the central administration, particularly the Planning Department, in defining a development strategy, managing sectoral policies and coordinating development operations. In order to be brought to fruition, this cooperation must be continued and extended to other departments during the third country programme.
26. The expansion of this cooperation during the third country programme will help to promote the training of staff in other departments involved in economic management, coordination of their activities with those of the Planning Department, and better use of statistical data.
27. With regard to the promotion of the private sector, UNDP will help the Government to plan a number of measures capable of attracting investors in those areas in which Djibouti enjoys a comparative advantage. One plan is to review social, fiscal and administrative regulations, investment and the operation of the private sector. Another plan is to develop national expertise for the planning and promotion of commercial and industrial activities and the provision of services potentially of interest to domestic and overseas investors in both national and export markets.
28. During the second phase, UNDP will help the Government establish a computerized economic and commercial data bank on African countries for the country's modern telecommunications network, extend Djibouti's banking services into new areas; and promote industrial exports by establishing a free zone for industry.
29. In performing these tasks, in addition to the MDP funds already made available, UNDP enjoys the benefits of working together with the French cooperation services already established, as well as with the European Commission and the French Development Fund, which have both already undertaken activities to promote the private sector.
30. Performance indicators. Having already drawn up its first National Development Plan, the Government will have acquired the national capacity to manage its economy, operate an aid coordination system and, as the round-table conference has shown, open its doors to other donors. The new rules governing the private sector will make it possible to attract new private investors at home and abroad. The methodology to be introduced for the establishment of national accounts will create a favourable climate for World Bank intervention. The availability of reliable statistics will prevent waste and duplication.

31. Development of human resources and the social sectors. The national objective in this field is the vigorous development of human resources and the integration of women and young people as agents of economic and social development. With regard to the objectives set in the Plan for 1991-1995, the activities to be pursued under the third country programme will contribute to the achievement of the goals of reforming the educational system and the vocational training sector, extending vocational training as a means of encouraging job creation, and improving the functioning of the health service.

32. The ultimate objective of turning Djibouti into an international commercial and financial centre can be achieved only if human resources are developed by giving priority to education and vocational and technical training, and to greater productivity. Most overseas aid is used to maintain an educational system which is increasingly out of line with the needs and aspirations of the country's economy.

33. While keeping the basics of the system in place, there appears to be a need to increase the number of school places available beyond the primary level, to introduce, at the secondary level, retraining programmes of vocational studies geared towards market needs, and to revise the educational content of the curricula. The reforms advocated include the strengthening of scientific and technical studies with applications for Djibouti's natural environment (hydrology, geothermal science, geology, oceanography, aquaculture techniques, vulcanology, etc.), and the development of technical studies in the commercial, banking and maritime-transport sectors. UNDP is also working together with the World Bank on a project designed to strengthen educational planning and administration.

34. UNDP will help the Government to draw up an inventory of existing human resources and assess training needs. That will make it possible to develop sectoral training plans which could serve as a focus for the contributions by the various donors interested in supporting vocational training. It will also improve knowledge of present and future labour-market conditions.

35. Also in the field of education, a national adult literacy campaign was launched by the Government in 1991-1992 with the support of UNDP and UNICEF. In view of the 66 per cent drop-out rate after two terms, it was agreed to review the approach and methodology, and move towards a more decentralized literacy programme, combined with courses on health and environmental management, in the national languages. The operational projects in rural areas could be appropriate vehicles for activities of this kind.

36. UNDP cooperation in the health sector will also be directed towards training. UNDP and UNFPA cooperation will focus on the in-service training of basic-health-care personnel, particularly those in the field of maternal and child welfare, by means of seminars designed to promote awareness of the problem of family balance and encourage preventive medicine and improved hygiene. UNDP will also contribute during the third country programme to efforts to combat AIDS through a pilot project whose main focus will be on awareness campaigns and behavioural studies on the population's reaction to the disease.

/...

37. The public housing programme already in progress will help (i) to encourage private initiatives through a credit mechanism which will enable 9,000 beneficiaries (1,390 households) to build their own housing; (ii) to develop local craft industries in the carpentry and plumbing sectors, whose services will be used by specially constituted associations of beneficiaries; and (iii) to promote community development in urban areas as a result.

38. In order to promote the integration of women into the development process, which is one of the key objectives of the programme, UNDP will encourage participation by women in literacy campaigns and in launching small-scale projects generating a direct income, by offering them the possibility of loans.

39. UNDP will pursue and extend its ties of cooperation and mutual support with United Nations agencies such as UNFPA, UNICEF and WFP. Other partners already present in the sector, such as French cooperation services, the European Community and the World Bank, will be regularly consulted with a view to harmonizing the programmes undertaken.

40. Performance indicators include an educational reform plan designed to develop a less expensive education system geared to the country's needs, a yet to be determined number of small-scale income-generating projects, and the introduction of new vocational training courses at existing centres.

41. Environmental protection and community action. The national objectives in this area are as follows: to combat poverty in the urban and agricultural sectors; to reduce the nation's dependence on imported food; to intensify environmental protection and the development of rural areas.

42. Owing to Djibouti's harsh climate, lack of water and poor soil, its economy is characterized by very limited natural resources and particularly difficult conditions for development. As a result, UNDP, as well as other external partners, undertook an extensive programme of studies and activities aimed at locating and exploiting the country's water resources in order to supply the population and livestock, meet the needs of agricultural production and protect or rehabilitate viable ecosystems. Thus, it was considered necessary to draw up a master plan for water resources both to make rational use of water and to define a policy and ensure coherent coordination in that field. In the third country programme, the actions to be carried out will focus on analysing and processing the data collected and setting up coordination mechanisms by drawing up organization charts and defining the role of each governmental department involved in the water sector. The activities envisaged under the master plan will therefore be central to all programmes related to water resources which the Government and donors establish.

43. Also in the field of water and in view of the degree of soil erosion and the volcanic nature of a large part of the territory, UNDP has sought, in water-supply programmes, to promote the collection and storage of run-off water rather than use of ground water. Construction of several hillside

reservoirs has begun in the south-east part of the country and a programme to build cisterns and collection basins for run-off water will be implemented in the Day region in the north. These activities in the Day region will, moreover, be complemented by actions involving forests and grazing land, and environmental protection aimed at preserving the region's natural heritage.

44. An integrated programme for developing the agricultural potential of land in the south-west part of the country, including the establishment of 220 irrigated gardens with a rural-credit component, will make it possible to settle nomads. This programme will receive a loan from the Islamic Development Bank, the management of which was entrusted by the Government to UNDP. In the coastal region of the central eastern part of the country, the programme to restore vegetation cover will continue, together with integrated development actions and a sizeable reforestation component. UNDP will also assist the Government in setting up a plant to manufacture wind-engine pumps in cooperation with the Royal Academy of Jordan.

45. Lastly, there are plans to provide technical assistance to the Government to establish a permanent structure for drawing up a policy and programmes to solve environmental problems within the framework of formulating a national plan for the environment.

46. These activities should help to define a water policy and ensure effective coordination of the various participants in that field (national institutions, non-governmental organizations and external partners), and also improve the supply of water to the population and livestock in the areas concerned. Furthermore, the results of improved water supply together with soil-utilization measures will make it possible to enrich vegetation cover, which can only be beneficial to the environment.

47. In carrying out these activities, in addition to the links already established between UNSO, UNCDF and WFP, UNDP will coordinate and develop links with the other donors that are already active in that field, such as the European Community and the French Development Fund GTZ, AfDB, IFAD and the Arab Fund for Economic and Social Development.

48. The establishment of a master plan defining the water policy in terms of supplying the population and livestock will be a frame of reference for coordinating international assistance. With regard to the environment, the Government will, inter alia, have a national environment plan that determines all activities to be undertaken to protect and promote the environment.

C. Assistance outside main country programme areas

49. Aware of the limited amount of IPF funds for Djibouti, wishing to obtain high-level expert advice and very encouraged by the results achieved within the framework of the TCDC project during the implementation of the second country programme, the Government will request UNDP to continue to promote South-South cooperation through a national TCDC conference. In view of the

/...

economic situation in the region, UNDP may also be called upon to provide additional support for the humanitarian assistance which might be requested from other organizations.

D. Implementation and management arrangements

50. In the light of the experience acquired during the first and second country programmes and in view of the results of the mid-term review, the third country programme will be implemented principally with a technical-assistance formula encouraging the recruitment of United Nations Volunteers supported technically and managed at the level of their work plans by very specific and short-term consultation missions. National execution will be carried out gradually, taking into account the relatively limited number of qualified national personnel. UNDP will encourage the use of national experts in specific cases whenever possible within the framework of its project, which, in the long term, will lead to effective national execution. Furthermore, the approach based on South-South cooperation through TCDC will continue to be promoted whenever possible. The encouraging results obtained with this approach during the second country programme and the organization of a national TCDC conference during the third country programme will promote a more focused approach for identifying specific TCDC opportunities at the level of project execution.

E. Mobilization of complementary funds

51. IPF resources alone will not be able to cover all the technical cooperation needs in the proposed programme. Since it is imperative to mobilize resources, UNDP and the Government will make a joint effort in approaching the international community in order to obtain complementary funds. This effort will be carried out within the framework of the round-table meeting of donors planned for 1993.

/...

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

(Thousands of dollars)

	\$	\$
Carry-over	(263 000)	
Fifth cycle IPF	3 647 000	
Estimated expenditures for 1992	700,000	
Subtotal IPF		2 684 000
Cost-sharing (Government)	44 000	
Cost-sharing (third party)	-	
Subtotal cost-sharing		44 000
TOTAL		<u>2 728 000</u>

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

<u>Area of concentration</u>	<u>IPF</u>	<u>Cost-sharing</u>	<u>Total</u>	<u>Percentage of total resources</u>
Environmental protection and community action	1 074	-	1 074	40
Management of the economy and promotion of the private sector	537	44	581	20
Development of human resources and the social sectors	805	-	805	30
Subtotal	2 416	44	2 460	90
Non-programmed reserve	268	-	268	10
TOTAL	2 684	44	2 728	100

/...

III. COMPLEMENTARY ASSISTANCE FROM OTHER FINANCING SOURCES

(Thousands of dollars)

A. UNDP-administered funds

Special Programme Resources	336 000
UNCDF	5 300 000
UNSO	585 000
UNIFEM	-
UNRPNRE	-
UNFSTD	-
MDP	500 000
World Environment Fund	<u>1 500 000</u>

Subtotal IPF

8 221 000

B. Other United Nations resources

JCGP participating agencies:

UNFPA	514 000
UNICEF	3 750 000
WFP	17 397 000

Other United Nations agencies
(non-UNDP financed)

-

Subtotal

21 661 000

C. Non-United Nations resources

-

-

TOTAL

29 882 000

/...

Annex II

THIRD COUNTRY PROGRAMME MATRIX

Area of concentration	Area of focus (GC decision 90/34)				TCDC	Transfer and adaptation of technology	WID
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development				
<u>Management of the economy and promotion of the private sector</u>							
Assistance to planning			*		*		
Promotion of the private sector			*				
Reform of financial, administrative and legal regulations							*
Promotion of commercial activities and services			*			*	
<u>Development of human resources and the social sectors</u>							
Expansion of training capability	*		*		*		*
Reform of vocational, scientific and technical cycles			*		*		*
Education planning and administration	*						*
Elimination of illiteracy and community action	*						*
Strengthening of basic health services	*				*	*	*
Public-housing programme	*		*			*	

/...

Area of focus (GC decision 90/34)

Area of concentration	Area of focus (GC decision 90/34)				TCDC	Transfer and adaptation of technology	WID
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development				
<u>Environmental protection and community action</u>							
Master plan for water		*					
Forest and grazing-land action	*	*					
Integrated agricultural development programme	*	*					*
Reforestation and restoration of plant cover		*					
National plan for the environment		*	*				
